DEVELOPMENT (1946) Department

MS SERIES

G.O. No. MS. 1827

Dated 6th May, 1946

[Despatch Abstract.]

INDUSTRIES - Sericulture Silk Filatures at Koliega. Ceiling prices for filature silk - Revised prices - Proposals of Director of Industries and Commerce Approved.

Go 1827 MS 6.5.46

INDUSTRIES & COMMERCE DEPT.

From
Sri Rao Bahadur
M.M.Adyanthaya, B.Sc.(Edin.),
Director of Industries and
Commerce, Madras.

To
The Secretary to Government
Development Department.

No.6995-D./45 dated 16th April, 1946.

Sir,

Sub: Textiles - Silk Control - Ceiling price - Modification.

Ref: Government Endorsement No.16820-D/46-7, Development dated 10th April 1946.

I give below the prices at which the silk produced at the two filatures is proposed to be sold at present. These prices have been fixed in consultation with the Sericultural Development Committee and provide for a profit of 6¼% after meeting the prevailing cost of cocoons and manufacturing charges. I request that the rates may be approved.

(1)	28/32	Denier	Rs.75-8-0 per lb.(ex-filatures)
(2)	24/28	"	77-0-0 " "
(3)	20/22	"	78-8-0 " "
(4)	13/15	"	80-0-0 " "
(5)	9/11	"	81-8-0 " "

Extra charges for re-reeling — Rs 2-8-0 per lb.

2. I am arranging to release the existing stocks of silk in

P.T.O.

the filatures at these rates in anticipation of approval. I request that I may also be permitted to vary the prices from time to time in consultation with the Sericultural Development Committee with reference to prevailing cocoon prices.

A N Raju

for Director of Industries and Commerce

c.v./16.4.

16/4.

Industries and Commerce Department.

UNDER SECRETARY
7 JUN 1946
DEVELOPMENT DEPARTMENT

376345/4
7.6.46

From: A.Khaleeli Esq.,I.C.S.,
Director of Industries and Commerce,
Madras

To: The Secretary to Government,
Development Department.

No.6995- D.3/45 dated 3rd June 1946.

Sir,

Sub: Industries - Sericulture - Silk Filatures at Kollegal - Ceiling prices for filature silk - Revised prices.

Ref: G.O.No.Ms.1827,Development, dated 6th May 1946.

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In consultation with the Sericultural DevelopmentCommittee I have fixed the following revised prices for filature silk produced at the two filatures at Kollegal based on the prevailing rates for cocoons. These prices provide for a profit of 6¼% after meeting the manufacturing charges:-

1.	28/35	Rs.61- 8-0	Besides extra charge for re-reeling at Rs.2-8-0 per lb.
2.	24/28	Rs.63- 0-0	
3.	20/22	Rs.64- 8-0	
4.	13/15	Rs.66- 0-0	
5.	9/11	Rs.67- 8-0	

Dev Dept

for Director of Industries and Commerce.

To V.J

Submitted for perusal.

The above report is w.r.t to para 2 of GO No 1827 Dev/6.5.46. It is presumed that a copy of the revised prices would have been communicated to D.T.C. This may be lodged and added to the GO as (2)

TO VS

Submitted for perusal. The report is with reference to para 2 of G.O IVO 1827 dtd 6.5.41 JI. is presumed that the P.TC has received a copy of it This may be lodged and added to (2) This sort of semi-communal forces without arches and censuring labour the whole trade unrest into confusion Throughout

10/6/46 14/6/46

Industries and Commerce Department.

From: A.Khaleeli Esq.,I.C.S.,
Director of Industries and Commerce,
M a d r a s.

To: The Secretary to Government
Development Department.

No.6995-D.3/45 dated 8th July 1946.

UNDER SECRETARY
10 JUL 1946
DEVELOPMENT DEPARTMENT

167662/A/4
11.7.46.

Sir,

Sub: Industries - Sericulture - Silk Filatures, Kollegal - Ceiling prices for filature silk - Revised prices.

Ref: G.O.No.Ms.1827,Development dated 6th May 1946.

The following revised prices per lb. for filature silk produced at filatures at Kollegal have been fixed with effect from 26th June 1946.

61-8-0	(1)28/35	Rs.56- 8-0	besides extra charge for re-reeling at Rs.2/8 per lb.
63-0-0	(2) 24/28	58- 0-0	
64-8-0	(3) 20/22	59- 8-0	
66-0-0	(4) 13/15	61- 0-0	
67-8-0	(5) 9/11	62- 8-0	

9.7.46
for Director of Industries and Commerce.

c.v./8.7.

To AJ

Submitted for perusal. The P.P. report is with reference to para 2 of GO No 1827 Dev dtd 6.5.46. It is presumed that the revised prices provide for a profit of 6¼% after

meeting the manufacturing Charges The V.T.C would no doubt have received a copy of these above rates.— Vide portion X on P3 of (Q). This may be lodged and added to the previous papers as (Q)

11/7/46 11/7/46

7/7/46

Through M.I. 12/7/46.

52910 DM /46

Industries & Commerce Department

From (Name) M. Khaleeli Esq., I.C.S.,

Designation Director of Industries & Commerce,

Station M a d r a s.

Received 30 JUL 1946 Registered 3074

To

The Secretary to Government,
Development Department,
M a d r a s.

Enclosures:

No. 6995-D3/45 dated 27---7-- 194

Sir,

Sub: Industries - Sericulture - Silk Filatures at Kollegal - ceiling prices for filature silk - revised prices -

Ref: G.O.Ms.No.1827, Development dated 6-5-1946.

The following revised prices per lb. for filature silk produced at the two filatures at Kollegal have been fixed with effect from 24th July, 1946.

1. 28/35	53	8	0	besides each
2. 24/28	55	0	0	& charges
3. 20/22	56	8	0	for re-reeling
4. 13/15	58	0	0	at .2-8-0
5. 9/11	59	8	0	per lb.

vsn.29.7/- for Director of Industries & Commerce.

29/7.

To VS

Submitted for perusal
May be lodged and sent to the Govt
The decline in prices, main reasons etc is adequately explained
of a rise in prices of cocoons etc.

SHM(2.)

Sub:- Industries — Sericulture - Ceiling prices for Silk — ~~Modification~~ — Proposals of D.D & C — Approved

Read (i) From the D.D & C no. 6995 D/45 d 16.4.46.
(ii) From the Govt of India, Silk Directorate, Delhi Telegram 211 TA(1)/46 d 8.4.46
Order no 18-2-7 MS Dtd 6-5-46

~~The Govt. approve the prices at which silk produced at the~~ The Govt. approve the ceiling prices notified by the D.D & C for the filatures Silk Filatures at Kollegal ~~will have to be sold~~, pending a decision of the Silk Conference Convened by the Govt of India on the general question of repealing the ceiling prices notified by and for Sericulture.

(1) 28/32 Deniers Rs 75-8-0 per lb (ex Filatures)
(2) 24/28 " Rs 77-0-0 " " "
(3) 20/22 " Rs 78-8-0 " " "
(4) 13/15 " Rs 80-0-0 "
(5) 9/11 " Rs 81-8-0 " " "

~~In addition to the rate above specified~~, An extra charge for re reeling @ Rs 2-8-0 per lb ~~will~~ shall be ~~collected from the buyers~~ added to the above rates.

2. The action of the D.D & C in arranging to release the existing stocks of Silk in the filatures at the rate mentioned in para 1 above in anticipation of the approval of Govt is approved. The D.D & C is also permitted to vary the prices from time to time in consultation with the Sericultural Development Committee with reference to prevailing Cocoon prices ~~and communicate them to the P.T.C~~ provided the margin of profit of 6¼% is maintained. The revised prices should be communicated to the P.T.C and the Govt for information.

Dec 1946

23/5/46 (illegible)

to release the stocks of silk accordingly may ~~[illegible]~~ be
as a margin of profit of 6¼%. Is secured
approved. Subject to orders, a Draft order is submitted overleaf
for approved. It may be sent to Finance for acceptance

Thro M Dy

Mr 20/4/46 DAS 21/4/46 — 23/4/46 S 23/4/46

DAS 22/4/46

Dir
Finance (Accts D.)

The draft order overleaf may be accepted

Dy no. 25782 D/46-1

Mr 5.4.46 DAS 15/4/46 — 16.4.46 — Dept no

ASST. SECRETARY TO THE GOVERNMENT OF INDIA
24 APR 1946
FINANCE DEPARTMENT

INDIA SECRETARIAT
29 APR 1946
DEVELOPMENT DEPARTMENT

27599 D/46

Finance
DAS 24/4
ASS
Dept
Dy no Dept

To A.S.

The draft overleaf may issue now.

Mr 29/4/46 DAS 29/4/46 — 29/4/46 S 29/4/46

3/5/46

H.M. (Accts)

[Issued as G.O. 1827 MS Dev dt 6-5-46]

6/5/46

p 3 ante

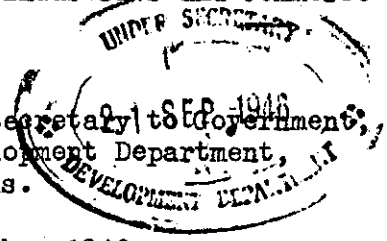
Industries and Commerce Department.

From

A. Khaleeli, Esq., I.C.S.,
Director of Industries and
Commerce, Madras.

To

The Secretary to Government,
Development Department,
Madras.



DIW CNO ... 6
70283 DI/46
21946

No.6995-D.3/45 dated 19th September 1946.

Sir,

b: Industries - Sericulture - Filature silk - Ceiling prices - Revision.

I.I Mfg 107 (B) Ref: G.O.Ms.No.1827, Development dated 6-5-46.

The following revised prices per lb. for filature silk produced at the Government filatures at Kollegal have been fixed with effect from 17th September 1946.

(1) 28/35	..	43	8	0	besides extra charges for re-reeling at Rs.2-8-0 per lb.
(2) 24/28	..	45	0	0	
(3) 20/22	..	46	8	0	
(4) 13/15	..	48	0	0	
(5) 9/11	..	49	8	0	

for Director of Industries & Commerce.

JVG-20.9.

TOVS

Submitted for perusal. The reduction in prices is very large. It is not clear whether the revised price

provide for a profit of 6¼% on the melting
& manufacturing charges. ~~For orders which~~
~~have been booked and added to the G.O. of~~
and will not involve any loss to the Govt.

In connection with the communication from the D.I.G. that large stocks of silk yarn had accumulated at the Silk Factory on Rottigan, the D.I.G. suggested that the stocks might be cleared by sale of silk yarn at reduced prices. The suggestion was put to the D.I.G. and further information regarding the loss involved has been called for. No orders have yet been issued by Govt. to sell silk at reduced prices involving loss. In the circumstances, it seems necessary to ask the D.I.G. whether the prices notified already provide for the usual margin of profit. The extant orders do not authorise the D.I.G. to sell the silk yarn at loss.

Subject to orders of the D.I.G. is

for approval

AM
24-9-46

AM
23946

AM
4-9-46

7952/D1 Dev (D1 Dept

TM.

To

The Director

Sub: Sericulture - Kilavu Silk - Cocoon prices - Revi

Ref: Your letter No. 6995-D3/46 dated 19.9.46

Please state whether the revised prices for Kilavu Silk, mentioned in your letter cited include provision for a margin of profit of 6¼% as laid down in G.O No. 1827 MS Dev d 6.5.46. If not please cite the authority under which the Kilavu Silk has been notified by you for sale at a loss to the Govt

Director
24.9.46

Asst
24-9-46

Routine

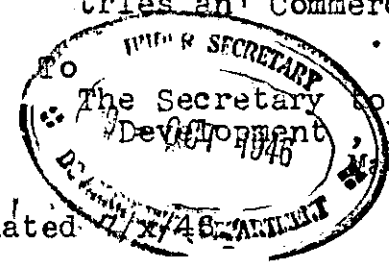
T.O.V.S

In Connection with the Submission of Budget files 25 urgent pads and 100 sheets of 1/3 margin ruled are required immediately. 'I-I' Section may kindly arrange be required to

tries and Commerce Department.

From
The Director of Industries and Commerce, Madras

To
The Secretary to Government
Development Department,
Madras.



No.6995/D-3/45 dated 21/x/46.

75458

Sir,

Sub:- Sericulture - Filature silk - Ceiling prices - Revision.
Ref:- Government Post copy of telephonic message dated 24/9/46.

The revised prices of Filature silk mentioned in my letter No.6995/D-3/45 dated 19/9/46 include provision for a margin of profit of 6¼% as laid down in G.O. No.1827/Ms.Dev.dated 6/5/46.

for Director of Industries & Commerce

M.P.8/x.

Draft

TOUJ

Please see the letter from the Deputy Collector
The above file on the subject has been linked with
Civil 681/94/DT/46 which has been sent to Finance
on 3-10-46 This may lie over till 18.10.46
or till the return from the file from Fin.
whichever is earlier

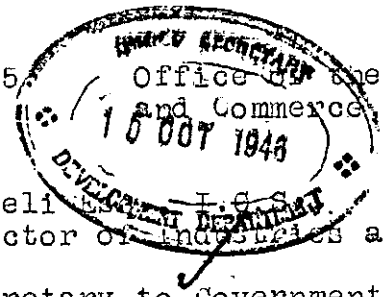
x Surveyor
[illegible]
[illegible]
[illegible]

[illegible]
11.10.46

13.10.46

17

No.6995-D3/45. Office of the Director of Industries and Commerce, Madras, dated 14-10-46



From

A.Khaleeli, I.C.S.,
Director of Industries and Commerce

To

The Secretary to Government,
Development Department, Madras.

Sir,

Sub: Industries - Sericulture - Filature silk - Ceiling prices - Revision of.
Ref: G.O.No.Ms.1827 Development dated 6-5-1946.

The following revised prices per lb of silk produced at the Government Silk Filatures, Kollegal have been fixed with effect from 2-10-1946

28/35	denier silk	Rs.36	0	0	besides extra
24/28	,, ,,	37	8	0	charges for
20/22	,, ,,	39	0	0	re-reeling at
3/15	,, ,,	40	8	0	Rs.2-8-0 per
9/11	,, ,,	42	0	0	lb.

The prices have been fixed at this level to ascertain the reactions of the market. The General Manager has been instructed not to sell more than Rs 15,000 lbs at these prices without further orders.

for Director of Industries and Commerce.

AR

Dev. Dept

To W.S.

The T.M. issued to Silk as per ¶ 3 above and his reply at ¶ 5 above may be perused. In view of M on ¶ 5th above no comments are called for on the revised prices notified at ¶ 1 above. ASM 16.10.46

In his letter at ¶ 7 above, the Silk reports his having notified a further reduction in prices of Silk in the Kollegal Silk Fabrics. No specific assurance is made. From letter of M at M on ¶ 5 above - It is stated that the revised prices also conform to conditions specified in prices have been revised to ascertain the trend in the market. If this should be ultimate loss the Silk will be coming up to get less for working off the loss or. the net result of the working of the Govt Silk Farms will be known at the end of the year. ¶ 7 Nil

These papers may be added to the R.O. at (B) after perusal by the Dept

ASM 16.10.46

S. 17/10/46

Dir

Dev 2480 702839

ASSISTANT SECRETARY 19 OCT 1946 FINANCE DEPARTMENT

PTO.

56827 Bb

With reference to A on page 8 above Deut. may perhaps be requested to ascertain whether the revised prices on p. 7 above also conform to the conditions specified at M. page 5 above – cf. also para 2 on p. 9 of Ey. (E) Deut. dated 6.5.46.

When requesting the reductions in prices the Dy Controller could have explained clearly whether the Condition in para: 2 of Ey 1827 Deut. dt 6.5.46 is satisfied

56827 A-3-1
24.10.46.

UNDER SECRETARY 25 OCT 1946 DEVELOPMENT DEPARTMENT

JO 24.5

With reference to K in finance note above, a draft memo to the D.I & S is submitted for approval

Dev (D I)

Memo No: 70283 DI/46 — 3/28.10.46

Sub Industries — Sericulture — Mulberry Silk — Selling prices — Revising.

Ref from the D.I & C. No 6995 — D3/45 dt 14.10.46

The D.I & C. is requested to state whether the revised prices for Mulberry Silk mentioned in his letter cited ~~include provisions~~ provide for a margin of profit of 6¼, as laid down in G.O No 1827 RS dt dtd 6.5.46.

In future when revised prices not only by him are required to the Govt, the DI&C is requested to state specifically in such reports whether the conditions regarding revised prices laid down in G.O No 1827 RS Dated 6.5.46 are satisfied

Submitted

27-10-46

Dev Dept.

Memo NO 70283 DI/46 – 4 dt/ 13.11.46

Sub: Industries – Sericulture – Tilaluri Silk – Ceiling prices – Revising

Ref Govt Memo NO 10283 DI/46 – 3 dt/ 28.10.46

The D.I & C is requested to state when his reply to the memo cited may be expected.

13.11.46 DSO 13/11/46

ARM 13-11-46

To The D.I & C

Memo No: 70283 DI/46 – 5 dt/ 2.12.46

Sub: Industries – Sericulture – Tilaluri Silk – Ceiling prices – Revising.

Ref: Govt Memo NO 70283 DI/46 – 3 dt/ 28.10.46 & reminder thereon dt/ 13.11.46

The D.I & C is requested to expedite his reply to the memo cited above.

2.12.46 DSO 2/12/46

ARM 2-12-46

Industries and Commerce DEPARTMENT

In reply, please quote number, date and short title.

Received Registered 94250 7-12-46

From (Name) A. Khaleeli Esq., I.C.S.,

(Designation) Director of Industries and Commerce,

Post Box ....., (Station) Madras.

Telegraphic Address .....

To

The Secretary to Government,
Development Department.

No.6800-D/46, dated 4th December 1946.

Sir,

Sub: Industries - Sericulture - Filature silk- - ceiling prices - Revision of.

Enclosures - Nil alone

Ref: Government Memo.No.70206-DI/46-3 Development dated 26-10-1946.

Spare Copies - -

The general practice followed by all commercial concerns is to determine the Profit or Loss at the end of each year ~~based~~ on the year's working as a whole. - It is not usual to assess the profits each time a reduction or an enhancement of price is made. It often happens that a commercial concern has to sell its products at a loss for some portion of a year in order not to lose custom or to get rid of old accumulated stocks, but such loss is made up by sale at a high percentage of profit during other portions of the year. Commercial firms never consider whether the price of the product at a particular period covers the entire manufacturing charges and yields a fixed percentage of profits. So far as the Government Silk Filature is concerned the margin of profit of 6¼% required to be maintained in G.O.No.1087, Development dated 16-5-46 must be considered to refer to the entirety of a year's transactions. Most of the sales of silk effected during this year have been at a profit far above 6¼% and the reduction in the price of silk reported in my letter No.6800-D.6/46 dated 14-10-46 is with regard to part of the accumulated stock. Since reporting this to Government I have had to reduce the price by another As.8/-(Annas eight) to be on perfectly level terms with Mysore where the State collects no sales tax. Though the present price may not actually leave a margin of profit of 6¼% on each single transaction, I have seen to it that the margin of 6¼% is more than maintained on the total sales for the year.

I must also point out here that this reduction in price is not peculiar to the Kollegal filature. As Government are aware the Mysore Filature interests who decided unanimously not to sell their silk below Rs.40/- have now been forced to reduce their prices to Rs.40/- for re-reeled silk. The filatures in South India have largest stocks of silk unisposed of on account of the uncertain conditions created by the disturbances at Bombay etc. and the rumoured imports of Chinese silk at very low prices. These two factors have underlined the need for the present reduction in the price of silk. As the silk market is likely to improve in

P.T.O.

the near future when conditions tend towards normalcy [illegible] the Government of India who have been asked to take immediate steps to regulate the imports and the prices of imported silk move in the matter, it should be possible to increase the price of Kollegal silk and earn a larger profit.

G. Raghava

for Director of Industries and Commerce.

C.V./4-Ic.

US 6/12

To U.S.

This hyd. memo. at p 11 above, is sent with reference to 'K' of the finance notes at p 9 above and the D.I & C's reply thereto at pp 13-14 above may be perused. This may now be sent to finance hyd. for perusal of the D.I & C's remarks at pp 13-14 above with reference to 'K' of their notes at p 9 above.

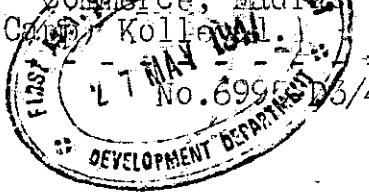
9.11.46

Industries & Commerce Department

49689 DI/47

From: A.Khaleeli Esq., I.C.S.,
Director of Industries & Commerce, Madras.
(Camp) Kollegal.

To: The Secretary to Government
Development Department,
Madras.



No.6995-D3/45 dated 23-5-1947

Sir,

Sub:- Industries - Sericulture - Filature silk - ceiling prices - profit.

Ref:- My letter No.6995-D.3/45 dated 4-12-1946

A Go 1827 - 7-5-47

In continuation of my letter cited I am glad to report to Government that the Govt.Silk Filatures, Kollegal has been able to maintain a profit of 6¼% on the invested capital for the year 1946-47. The silk market is most depressed just at present on account of dumping of Chinese silk. I am afraid that unless conditions improve and the Government of India intervene in the matter and come to the rescue of the Filature Industry by levying a high enough protective duty on imports, the Govt.Silk Filatures, Kollegal may not be able to maintain this margin. Once India's decision is announced the filature should be able to stand on its own legs and contribute to the coffers of the state.

B

for Director of Industries and Commerce.

Notes

G.O. No 70283 D1/46

Sub: Industries - Sericulture - Govt Silk Filatures, Kollegal.
— Sale price of filature silk.

Ref: Letter as Memo No 70283 D1/46-3 d 28.10.46
from the D.I.&C., No 6995-B3/45- d 4.12.46.

To WS.

Please see the memo issued to the D.I.&C. at p 11 cf and his reply thereto at pp 13-14 cf. The statements of the D.I.&C. in his letter at pp 13-14 cf raise important points regarding the sale price of filature silk produced in the Govt Silk Filatures, Kollegal and they would require careful scrutiny at a sufficiently early stage of the Govt are not to incur heavy loss in running the Filatures as a State Trading concern.

The Silk Filatures at Kollegal were able to sell their products at a profitable price so long as their output were taken over by the Govt of India for war purposes. This demand ceased by the middle of 1945. With the cessation of hostilities, the producers of silk in the contiguous territory, Mysore State, began to sell their output without any regard to the ceiling prices fixed by the Central Govt under the D.P.P. ordinance and this Govt was hampered in the need to obtain the consent of the Central Govt to sell the output of the Silk Filatures at Kollegal at prices based on cost of production with reference to the ceilings notified by them. In this context, the D.I.&C. wanted power to permit him to notify such prices (based on cost of production) from time to time. He had hitherto suggested that on basis of such prices, he would secure to a margin of 6½% profit being maintained. Orders in G.O. No 1827 MS Dev d 6.5.1946 were issued accordingly.

Subsequently the market in silk had been affected seriously by the reported arrival of silk from China and by the anxiety of the

(4) p 35 cf (4)
A on p 2 cf (B)
on p 1 cf (B)
(A)

private producers in Mysore to sell their output at prices which showed no wide divergence from their (the control of prices by the Central Govt also was removed in the meanwhile) prevailing just previously. To fall in line with the trend of the market the D→I→C was also obliged to notify reduced prices for the output of the Silk Filatures at Kollegal. The statement at (P) will bring out clearly how seriously the prices have had to be reduced by 50% over a period of six to seven months during the year Despite of such reduction in prices, there is a heavy accumulation of stock in the Silk Filatures and it does not need much argument to show that there would be loss ultimately in the transaction if the Silk Filatures should be forced to sell silk produced at higher cost at rates which are lower by 50% of the cost of production It was with a view to make sure that the Govt were not loss, that the D→I→C was asked to work as at p. 11 cf

In reply, the D→I→C proposes a new procedure that the stipulation regarding the margin of 6 1/4% profit in G.O. No 1827 MS Dev d 6.5.46 should be taken to mean that it should refer to the entire transaction on a year and not to each (not to fix the prices) specific ~~sale~~ of silk This is not warranted by the assurance given previously by the D→I→C as at (and at-M on p.5cf). X on p 1 cf (B) Y on p 3 cf (B). It is quite likely that the statement of D→I→C at Y (on p.13cf) might be true in regard to the current year, as the loss in the latter part of the year would be covered up by the profits earned in the earlier part of the period. But, for the future, it looks as though that the Silk Filatures at Kollegal may not work economically until the sale price of silk is fixed by a Central authority. The working expenses of the Silk Filatures, Kollegal

do not wholesale business and the price of cocoons and the sale of by-products in Kerala. The Govt of India have been approached to fix the sale price of indigenous silk at Rs 45 per lb. and it is not known whether the suggestion would be accepted by them. In the nature of things, the price of silk cannot be standardised as in the case of the products of the Kerala Soap Institute Calicut, the Govt oil factory, Calicut and the Cinchona factory Nadivattam. As enumerated in D.O. letter, decision on the fixation of prices etc and the marketing tendencies will have to be given by the Staff of the Silk Stations at Kollegal, though it is hoped to be organised with the proposed staff will take a much time to assess. In as a beginning country the Govt will however have to reckon with the probability of a loss in the working of the Silk Stations if the prices of silk are not stabilised at a level by the Central Govt. It will be for the D.I.Sc to be careful in the matter and to take suitable steps to avoid loss.

This may also be the case for perusal of the reports of the D.I.Sc at p 13 of the above note with reference to their observation at K+M on p. 9 of

may agree with the D.I.Sc that it is not necessary to have a profit of 6¼% or more on every transaction; but that, that margin of profit must be maintained after all the transactions in a financial year are taken into consideration. If the Govt of India do not consent to our proposal by fixing the sale price of indigenous silk at Rs 45-0-0 per lb. & by regulating the imports, the D.I.Sc will have to be asked to reduce the working cost. We may await the reply of the Govt of India in the matter. Finance may see the report of the D.I.Sc on p.13 ct. in the meanwhile

10.12.46

11.12.46

(Last seen in Finance at p.9 C.F.)

The letter of the D.I.& C. at pages 13-14 C.F. and the Devt. note from page 1 above may be perused. The Devt. note sets out the implications of the continued reduction in prices over a short period of 6 to 7 months. They themselves view Sec Shankar with serious misgivings the steep (forced) reductions in prices, but would, however, agree with the position as stated by the D.I.& C. They suggest that if the Govt. of India do X on f not come to our rescue by fixing the sale price of indigenous silk at Rs 45 per lb. and by regulating the imports, the D.I.& C. will have to be asked to reduce the working cost.

2. In regard to the general practice followed by commercial concerns mentioned by the D.I.& C. in his letter at pp. 13-14 C.F. it has to be borne in mind that ~~there is a difference between a private commercial concern and a Govt. concern.~~ When prices tend to fall, ~~the former will~~ they would be always effecting concurrent economies in the working cost. The D.I.& C. would feel satisfied if the year's transactions as a whole would give the stipulated profit of 6¼%. This seems to be rather a very complacent attitude unless a serious effort has been made to arrive at an average price for a whole year's transactions and these transactions are reviewed periodically (say quarterly) so as to ensure that the profit margin will ultimately be realised. The reduction of about 50% of the price during a comparatively short period of 6 months does not seem to warrant a complacent and sanguine attitude. With periodical forced reduction of prices there should also be simultaneous reduction in working cost. It does not seem to be helpful to postpone the efforts towards reducing cost to an economic level in the hope that the Govt. of India might stabilise prices at a point favourable to this Govt. This Deptt. may therefore suggest that the D.I.& C. may be requested to review the work for the period from April 1946 to October 1946 and see what the actual profits upto this period are and also to take steps immediately to effect all possible

economies in the working cost of the Filatures. He may also be requested to submit a full report to Govt in the matter as early as possible.

KRV 22.12.46

SS 20.12.46.

A private Commercial Concern is not fettered by rules and regulations re cutting down the working Costs to the minimum: whereas the head of a Govt. Commercial Concern has not the same freedom to cut down the working Costs. The Conditions of service of the staff is regulated by rules. Whether the Concern works at a profit or not the head of the Concern has to pay the bonus of one months pay periodically ordered by the Govt. to all its non-gazetted staff. Hence the analogy of a ~~Govt~~ private Commercial Concern cannot be pressed too far. In the circumstances as seems desirable that the Dir. be asked to review the position and to keep down the Costs as low as possible.

KRV 23.12.46 ADG. S

B

The D/Ste says that he has seen to it that the margin of 6¼ % is maintained for the year. We may assume for the present that he knows what he is talking about & may accordingly wait for the decision of the Govt. as proposed by Dev. Dept. If the Govt do not accept the suggestion the D/Ste will have to reduce working costs at once

A

C

Sd 24 12 46. Dev.

3AB1
12.46

Dev. Dept

SECRETARY'S DEVELOPMENT DEPARTMENT 6 - JAN 1947

1401 To U.S.

A above (in Dev. Dept's note) This is separately under consideration. Govt of India was requested on 8.1.47.

So far as this file is concerned, Dev. Dept are apparently satisfied with the explanation offered by the D/Ste in justification of the downward trend of selling prices of silk in the Govt silk filatures. Suitable action may be taken later to instruct the D/Ste regarding the reduction of working cost in the light of subsequent

Vide B above

the Govt of India. For order therein the papers may be lodged & added to the R.D as (B).

It is also for consideration whether the case should be circulated to 1st (J.L) for perusal of DSIs report at Pt 13-14 of & the note of the DSI at Pt 4-5 ante.

DRS 9.1.47

APM 9.1.47

J/S. Hudson 10/1

Gen(Hy) 9.1.47

Gen 11/1/47

Part

Comparative Selling prices of Mulberry Silk from April, to Oct 46

Quality of Silk.	April 46 Price	June 46 Price	July 46 Price	August 46 Price	Sept '46 Price	October 46 Price
28/32 Denier.	75-8-0	61-8-0	56-8-0	53-8-0	43-8-0	36-0-0
24/28 Denier	77-0-0	63-0-0	58-0-0	55-0-0	45-0-0	37-8-0
20/22 "	78-8-0	64-8-0	59-8-0	56-8-0	46-8-0	39-0-0
13/15 "	80-0-0	66-0-0	61-0-0	58-0-0	48-0-0	40-8-0
9/11 "	81-8-0	67-8-0	62-8-0	59-8-0	49-8-0	42-0-0.

N.B Further reduction since Oct '46 has been made by the Govt. but the statement as in previous months not yet received.

Sd/-
9.12.

Sub: Industries - Sericulture - Kalimpong Silk - Govt. Silk Farms, Kollegal - Ceiling price.

Ref: From the DIGC, No. 6995-D3/45 d 23.5

To U.S.

Please see the letter of the DIGC at p. 1 cf.

Reference is invited to the notes of this dept and of the Dvi. Dept at pp 1-5 ng. of G.O No. 1827 Ms Dev d 6.5. and the remarks of Joint Secy, Dvi Dept. thereat p 5 ng of G.O. ibid. In the letter at the DIGC has now reported that the Govt Silk Farms, Kollegal has been able to maintain profit of 6¼% on the invested capital for the year 1946-47. Presumably this is based on audited figures. and if so, the record is satisfactory particularly in view of the forced reductions in the prices of Filature Silk (produced at the Govt Silk Farms) during the months after Septr. or Oct 1946. This Dept may see the report of the DIGC for information.

As regards 'B' & 'C' on p 5 ng of G.O No. 1827 Ms Dev dt 6.5.47 the prospects for 1947-48 appear to be not encouraging enough to justify any steps to be taken by the DIGC, since the profit in 1946-47 is not 2½% but for 1947-48 the DIGC has been informed by the Govt of India, in view of the Silk market, to fix the selling prices of Silk from May 1947. The Govt of India have informed the Govt that they do not feel that the import of Silk into India will in any way threaten the position of the Sericulture industry in the country. If the Govt Silk Farms, Kollegal which is a State Trading concern is not to land the Govt in a loss, the DIGC has to be asked to reduce the working cost on the farms and to cut down production with regard to the prospect of disposal with loss. Even now, the Farms have on hand nearly 30,000 lbs of Silk which was produced at higher cost but which will, in

all probability, have to be sold far below Cost. Price during 1947-48 and the utmost economy in the working of the Filatures is called for. It seems necessary to call for a detailed report from the D.I.&C. formulating a scheme of retrenchment in the working cost of the G.S.K. Kollegal which is equipped with over 500 basins but which is actually able to work with Cocoons only about 250-300 basins on the average for the

JDM
31.5.47

APM
4.6.47

J.S.

Surely Dr. Narayanaswamy is competent to look after his own interests? Why go back to Delhi?

JM
6/6

JDM

The papers may now be lodged, in view of the remarks of the Secretary (Agriculture)

M
7/8/47

(This is one of the files delayed by Sri Krishnaka)

In view of the remarks of J.S. above, and of the measures of retrenchment already effected in the Govt. Silk Filatures, no action is called for on the note at pp1-2 above. As regards the report of the D.I.&C. at p1 cf, action is already being taken separately to prevail upon India to prohibit imports of foreign silk or otherwise impose heavy protective duty on such import. This may therefore be lodged.

K
29/1/48

APP
2.2.48